

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL**  
FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:

9 7 - 0 2

2. STATE:

**MICHIGAN**3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL  
SECURITY ACT (MEDICAID)TO: REGIONAL ADMINISTRATOR  
HEALTH CARE FINANCING ADMINISTRATION  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

January 2, 1997

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

Section 13621 of OBRA 1993

7. FEDERAL BUDGET IMPACT: — 0 —a. FFY 1997 \$ -24,826,500-b. FFY 1998 \$ 0

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-A, pp. 24 - 24b

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  
OR ATTACHMENT (If Applicable):

Attachment 4.19-A, pp. 24 - 24b

10. SUBJECT OF AMENDMENT:

1997 Disproportionate Share Hospital Payments

11. GOVERNOR'S REVIEW (Check One):

☒ GOVERNOR'S OFFICE REPORTED NO COMMENT☐ OTHER, AS SPECIFIED:☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:

James K. Haveman, Jr.

14. TITLE:

Director,

15. DATE SUBMITTED: 3-13-97

16. RETURN TO:

Michigan Dept. of Community Health  
P.O. Box 30479  
Lansing, MI 48909**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:

03/17/97

18. DATE APPROVED:

6/6/01

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

1-2-97

20. SIGNATURE OF REGIONAL OFFICIAL:

*Cheryl A. Harris*

21. TYPED NAME:

Cheryl A. Harris

22. TITLE: Associate Regional Administrator  
Division of Medicaid and Children's Health

23. REMARKS:

**RECEIVED**

MAR 17 1997

HCEA-V-DMMCP

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT  
State: MICHIGAN

METHODS OF PAYMENT OF REASONABLE COSTS -  
INPATIENT HOSPITAL SERVICES

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H. Disproportionate Share

1. Minimum Eligibility Criteria

Indigent volume data is taken from each hospital's cost report and supplemental forms that each hospital must file with its cost report. Separate indigent volume data are collected and applied to distinct part psychiatric units.

Indigent volume is measured as the percentage of inpatient indigent charges to a hospital's total inpatient charges. Indigent charges are the annual charges for services rendered to patients eligible for payments under the Medicaid plus uncompensated care charges. Uncompensated care is limited by Medicare standards and is offset by any recoveries.

Each hospital must have a Medicaid utilization rate of at least 1%. Medicaid utilization is measured as:

$$\frac{\text{Medicaid Inpatient Days (Whole Hospital, including Subproviders)}}{\text{Total Hospital Days (Whole Hospital, including Subproviders)}}$$

Days will be taken from hospital filed cost reports for fiscal years ending between October 1, 1994 and September 30, 1995. All charge, cost and payment data must be on an accrual basis for each hospital's cost reporting period ending between October 1, 1994 and September 30, 1995.

Effective October 1, 1994, individual inpatient hospital claims will be paid without DSH adjustments. For state fiscal year FY'97, inpatient DSH payments will be made in a single distribution based on charges converted to cost using a cost to charge ratio. The payment will be made sometime during the first quarter of the state fiscal year. Each hospital's indigent volume is taken from hospital cost reporting periods ending between October 1, 1994 and September 30, 1995.

Title XIX charges used to compute DSH payments will be the sum of the Title XIX charges and the Title XIX HMO charges from hospital indigent volume reports for cost periods ending between October 1, 1994 and September 30, 1995. Data for cost periods of more or less than one year will be proportionally adjusted to one year.

Hospital total cost ratios will be taken from hospital cost reporting periods ending between October 1, 1994 and September 30, 1995. For hospitals with more than one cost reporting period ending in this date range will have their data from the two periods added and a single ratio will be computed. If the ratio is greater than 1.0, a ratio of 1.0 will be used.

Reimbursement for inpatient services under Title V will not include DSH payments. Hospitals that fail to supply indigent volume data will not be eligible to receive disproportionate share payments.

For new hospitals, DSH payments will be withheld until the hospital's indigent volume can be calculated and applied in the normal update process.

**RECEIVED**

MAY 14 2001

DMCH - MI/MN/WI

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TN No.	97-02	Approval	Effective Date	01/02/97
Supersedes				
TN No.	93-35 95-20	per 5/17/01 comv.		
		by Nancy Bishop (MDCH)		

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT  
State: Michigan

METHODS FOR PAYMENT OF REASONABLE COSTS -  
INPATIENT HOSPITAL SERVICES

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01/02/97 Medicaid inpatient DSH payments are made in a single distribution based on charges converted to cost using the cost to charge ratio. For the state fiscal year beginning October 1, 1996, it is anticipated that the payment will be made sometime during the first half of the state fiscal year.

Effective for the state fiscal year beginning October 1, 1996, each hospital's indigent volume is taken from hospital cost reporting periods ending from October 1, 1994 through September 30, 1995.

01/02/97 The Title XIX charges used for computing DSH payments will be the sum of Title XIX charges and Title XIX HMO charges from hospital indigent volume reports for cost periods ending between October 1, 1994 and September 30, 1995. Data for cost periods of more or less than 1 year will be proportionally adjusted to one year.

01/02/97 Hospital total cost ratios will be taken from hospital cost reporting periods ending between October 1, 1994 and September 30, 1995. If hospitals have more than one cost reporting period ending within this range, data from the two periods will be added and a single ratio computed. If the ratio is greater than 1.00, a ratio of 1.00 will be used.

A. DRG Reimbursed Hospitals (\$37,500,000 allocated)

The DSH payments for DRG reimbursed hospitals are split into two pools.

1.) Hospitals with at Least 50% Indigent Volume (\$7,300,000)

The share of the DSH payment for hospitals with at least 50% indigent volume (IV) is based on a DSH share computed as:

$$\text{Title XIX Charges} \times \text{Operating Ratio} \times (IV - .5)$$

2.) Hospitals with at Least 20% Indigent Volume (\$30,200,000)

The share of the DSH payment paid to hospitals with at least 20% indigent volume is based on the following DSH amount. This is in addition to the amount from a. above.

$$\text{Title XIX Charges} \times \text{Operating Ratio} \times (IV - .2)$$

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TN No. 97-02

Approval \_\_\_\_\_

Effective Date 01-02-97

Supersedes

TN No. ~~93-23~~ N/A

RAH.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT  
State: Michigan

METHODS FOR PAYMENT OF REASONABLE COSTS -  
INPATIENT HOSPITAL SERVICES

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B. Per Deim Reimbursed Hospitals and Units (\$7,000,000 allocated)

The share of the DSH payment paid to hospitals with IV of at least 20% is based on a DSH share of:

$$\text{Title XIX Charges} \times \text{Operating Ratio} \times (\text{IV} - .2)$$

C. Distinct Part Rehab Units (\$500,000 allocated)

The Share of the DSH payment paid to hospitals with IV of at least 20% is based on a DSH share of:

$$\text{Title XIX Charges} \times \text{Operating Ratio} \times (\text{IV} - .2)$$

D. For groups A. through C. the determination of the share of the allocated DSH pool will be made using the DSH share. The payment will be made by:

$$\frac{\text{Hospital's DSH Share}}{\sum \text{DSH Shares for the Group}} \times \text{Allocated DSH Pool}$$

There will be a single DSH payment during the fiscal year. The payment will be made sometime during the first half of the state fiscal year.

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TN No. 97-02  
Supersedes  
TN No. N/A

Approval \_\_\_\_\_

Effective Date 01-02-97